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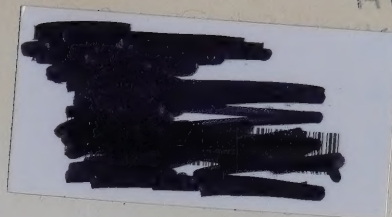
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HUTTERITES  
AND  
THE ALBERTA ECONOMY

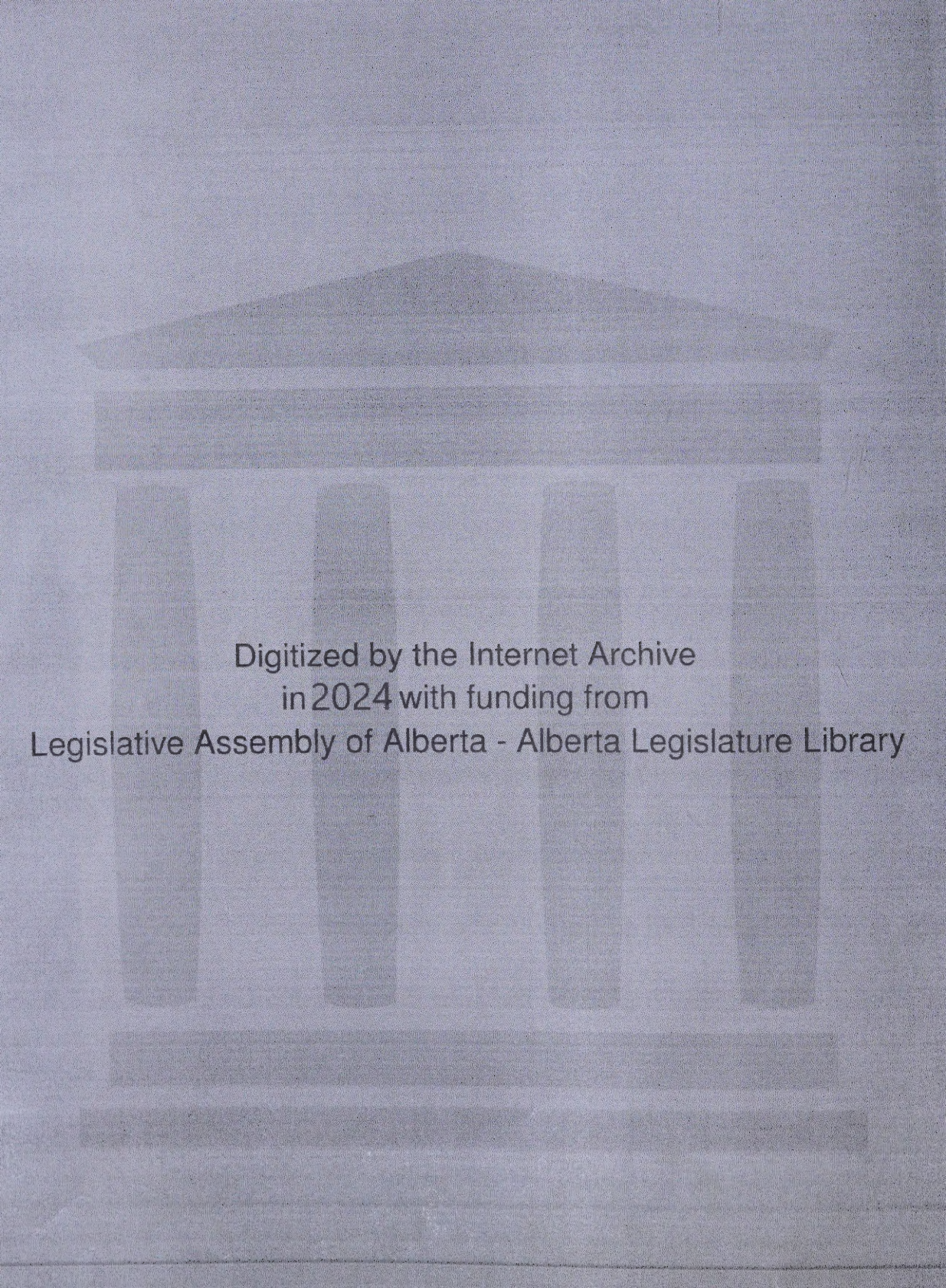


SEPTEMBER 29, 1972.

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FRANK X. KEHOE,  
FARM MANAGEMENT BRANCH,  
ALBERTA DEPARTMENT OF AGRICULTURE.





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## HUTTERITES AND THE ALBERTA ECONOMY

In order to evaluate the economics of the Hutterite farming operations, one must first look at all colonies together as a group and then the individual colonies or a representative colony.

Of the 81 Hutterite colonies incorporated in Alberta as of December 31, 1971, income and expense statements on a cash basis were acquired for 73 of these colonies. Unfortunately, no inventories were recorded so the study was limited to evaluating only the cash receipts and not the actual farm production in 1971. In addition to this, balance sheets were available on eight colonies. It was with this data that the study was then conducted.

As displayed in Table 1, the 73 colonies received a combined income of \$23,837,712. Of this income all except \$833,174 was attained from the sale of farm produce, the net value of sales being \$23,004,538. This cash income was 3% of the total 1971 cash receipts from the sale of farm products received by Alberta farmers. Proportionately 26.1% of this cash income was derived from grains and 67.6% from livestock and livestock products. This is in comparison to a provincial income derivation of 41.0% from crops and 57.3% from livestock and livestock products.

These colonies incurred expenses of \$17,163,997 in their 1971 farm operations. This expense was composed of \$1.4 million in machinery repairs and parts, \$752,154 on fuel, \$1,018,713 on fertilizer, \$2,707,206 on feed, \$5,507,054 on livestock, \$1,633,786 on overhead expenses and \$436,066 on miscellaneous expenses. Of these purchases, feed \$2.7 million and livestock \$5.5 million were purchases of products produced by other Alberta farmers.

The tendency of Hutterite colonies to purchase at major centers rather than in their communities has been suggested. Unfortunately due to the time



TABLE 1

INCOME AND RECEIPTS - 73 ALBERTA HUTTERITE COLONIES

<u>Receipts</u>	<u>Total All Colonies</u>	<u>Average /Colony</u>
Corn Sales & Wheat Board Payments	\$ 6,013,271	\$ 82,374
Livestock Sales	12,363,603	169,364
Livestock Products - Eggs & Poultry		
- Milk & Cream	3,759,413	51,499
Interest & Dividends	868,251	11,894
Other Farm Receipts	<u>833,174</u>	<u>11,413</u>
<b>Total Receipts</b>	<b><u>\$23,837,712</u></b>	<b><u>\$326,544</u></b>
<u>Expenses</u>		
Equipment Expenses - Machinery Repairs & Parts	\$ 1,402,586	\$ 19,214
- Fuel	752,154	10,304
Building Repairs	506,066	6,932
Crop Expenses - Seed		
- Fertilizer & Sprays		
- Seed Cleaning	1,018,713	13,955
Livestock Expenses - Feed	2,707,206	37,085
- Livestock	5,507,054	75,439
Overhead Expenses - Utilities		
- Taxes		
- Marketing Board Payments	1,633,786	22,381
Travelling	110,925	1,520
Tools & Hardware		
Cash Rent		
Miscellaneous	325,141	4,454
Depreciation CCA	<u>3,200,366</u>	<u>43,841</u>
<b>Total Expenses</b>	<b><u>\$17,163,997</u></b>	<b><u>\$235,125</u></b>
<b>NET PROFIT</b>	<b><u>\$ 6,673,735</u></b>	<b><u>\$ 91,419</u></b>





limitation it was not possible to survey the colonies on this point. It was, although, possible to determine if it would be to the colonies advantage to purchase at a major center rather than from the local dealer. This information was acquired by contacting the regional offices of firms who have local dealers situated in towns throughout the province and inquiring as to their pricing policies. The companies surveyed were: two major farm machinery companies, five major fertilizer companies, three seed companies and three feed companies. Both farm machinery companies stated there would be no advantage for a purchaser to go to a dealer in a larger center. Their companies will, if necessary, assist a local dealer in making a sale, especially if the profit margin on the sale is small. However, it was mentioned by one firm that a small dealer might not be able to handle the machinery traded on the new equipment, especially if his volume of sales is small and the transaction very large, say six newer combines. It was also pointed out that Hutterite colonies in general do not run into this situation as their trade-ins are normally well used and older so the value of the trade-in is not too high. "It's large farmers trading combines in every second year who run into this problem." A further comment was that Hutterite dealers' are using the facilities more and more in the repairing of equipment. The tractors and combines in use today are such complicated and intricate machines that it takes a specialist to repair them.

The fertilizer companies told much the same story; they support their local dealers. The fertilizer prices are the same whether purchases are made from the local dealers or the main warehouse. No companies would sell fertilizer from their plants. It is left up to the local dealer to be competitive and acquire the sale. Two of the firms interviewed would send staff from head office to assist the dealer in pricing a large sale; the dealer price would then





be altered if necessary. One firm commented that it allows no special deals aside from the dealer price list. Although one firm pays transportation to the local dealer, this expense is paid directly by the purchaser with the other two firms. In this case, one could use his own truck to haul the fertilizer from the main warehouse and reduce the transportation cost on the fertilizer by at least the amount of a driver's salary.

Three seed companies were contacted concerning their merchandising policies. In all cases there was no advantage purchasing at the main warehouse as the companies pay freight to their local delivery points.

Feed companies were the exception to the previously outlined dealer support policies. There is a definite price advantage purchasing at the main feed mills in Edmonton or Calgary. These mills do underprice their own local mills. This pricing policy is necessary because many firms active in the feed business do not have mills in the country and are able to offer very low prices at their few large mills. In order for a company to remain competitive it must also offer these same discounts at its main mills even if it means undercutting a local dealer.

In all products except feed it is then up to the local dealer to be competitive and in most cases the companies will assist him if necessary. The head offices are not undercutting their local dealers, so there is little, if any, advantage to not purchasing farm inputs from the local dealers.

If the Hutterite colonies had purchased locally their expenditures on machinery repairs, fuel, seed and fertilizer would have added \$3,173,453 to their local communities in 1971. This does not include the purchase of capital items such as tractors and combines which as explained above should also be local purchases.

In addition to these expenditures the colonies paid \$892,575 in taxes to





their local counties or municipalities.

In table 1 these totals are broken down on a per colony basis.

#### AN OVERVIEW OF THE HUTTERITE FARMING OPERATION

Management of a farm entails decisions on the following: what to produce, method of production, how much to produce, and where to produce.

Three principles derived from the Hutterite's religious beliefs notably affect these decisions and the operation of the colony. These three principles are "self sufficiency", "efficiency" and "simplicity in living".

The first of the three principles, self sufficiency, dictates diversity in the farming enterprises. The degree of diversification is readily apparent when one considers that only 3 out of 73 colonies did not sell: eggs, poultry, milk, beef, pork, geese, ducks and grain. The result of such diversification is security, specialization and an opportunity for full employment of the colony members.

The second principle, efficiency, has enabled the colonies to remain competitive in today's agriculture. This principle also has an effect on the use of the colonies' labor. It is generally accepted that the Hutterites have free labor available. In spite of this principle, efficiency demands that labor be used as a limited and expensive input similar to the use non-Hutterian farmers would make of it. If the labor is free it certainly is considered limited and is utilized in an efficient manner. Throughout a colony one is continuously confronted with labor saving devices, not what one would expect if free labor was available.

The principle of "simplicity in living" has allowed the colonies to realize their goals of self sufficiency and apparently invest their income in land and other capital items rather than on color TV sets, cars and other amenities.





### What to Produce

The first goal of the colony is to produce food for the colony. This food is derived from the livestock and crop enterprises on the farm. The main crops produced by the colonies are: wheat, oats and barley with rape seed and flax being of minor importance. This self sufficiency principle could limit the size of the livestock enterprises to the quantity of feed produced on the colonies' land. Some colonies do, in fact, restrict their livestock enterprises to the level of their feed production but many others expand beyond this point and rely on purchases of feed to supply the necessary quantity.

The main feature in this decision is that the colonies, by their philosophy, are inclined to be extremely diverse even if it is not the most profitable type of farm operation. The diversification also enables an individual an opportunity to realize a degree of accomplishment or satisfaction in becoming a "boss" of an operation.

### Method of Production

As mentioned earlier, one of the Hutterite principles is efficiency. It can be stated that the Hutterite does tend to produce efficiently. The use of fertilizers, weed sprays, vitamin, mineral and protein supplements is common in most colonies. There is, however, a degree of ignorance prevalent on many colonies. This ignorance is most likely a result of the restricted contact the colony members have with the "outside". Their source of information is primarily through salesmen, although they do read a limited number of farm magazines and will inquire to the Department of Agriculture specialists for information on various topics ranging from nutrition to engineering.

A consensus of some Department of Agriculture field staff would place the Hutterite in the category of "early adapters", with some colonies showing a tendency toward innovation. Many colonies explain how their neighbours have changed





their cultivation practices to conform with the colony and realize beneficial results from the change.

#### How Much to Produce and Where

The diversification and self sufficiency principles have a direct limiting effect on the size of any one operation. One would not expect to see a colony with a cow calf operation so large that it would consume the entire crop production. Instead, one would find the cow calf enterprise limited in size and sharing the crop production with three or four other enterprises. \*(This feature could well restrict both the success and the location of Hutterite colonies. All Alberta is not suited to diversification). The colonies have, in general, purchased whatever quota is necessary in order that they may increase a controlled commodities production to the level they desire.

#### ANALYSIS OF THE COLONY FARM OPERATION

Table 2 shows a per acre comparison of Alberta's Hutterite Colonies to the farms registered in the Alberta Farm Business Analysis, (FBA) program. In general, farms on the provincial program are in the upper 1/3 income group of all the farms in the province, see Figure 1.

Comparing these two groups of farms, there is very little difference between the economics of the Hutterite farms and the FBA farms. The colonies had a per acre income of \$30.87 while the FBA farms displayed an average income of \$31.21 per acre.

The expenses were also very similar; the colonies' expenditures being \$21.52 while the FBA farms showed total expenses of \$24.79 per acre. It is noteworthy that the FBA farms had a hired labor expense of \$2.14 per acre while the colony farms had no such expense. The profit of the two groups were

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\* Author's note.





TABLE 2

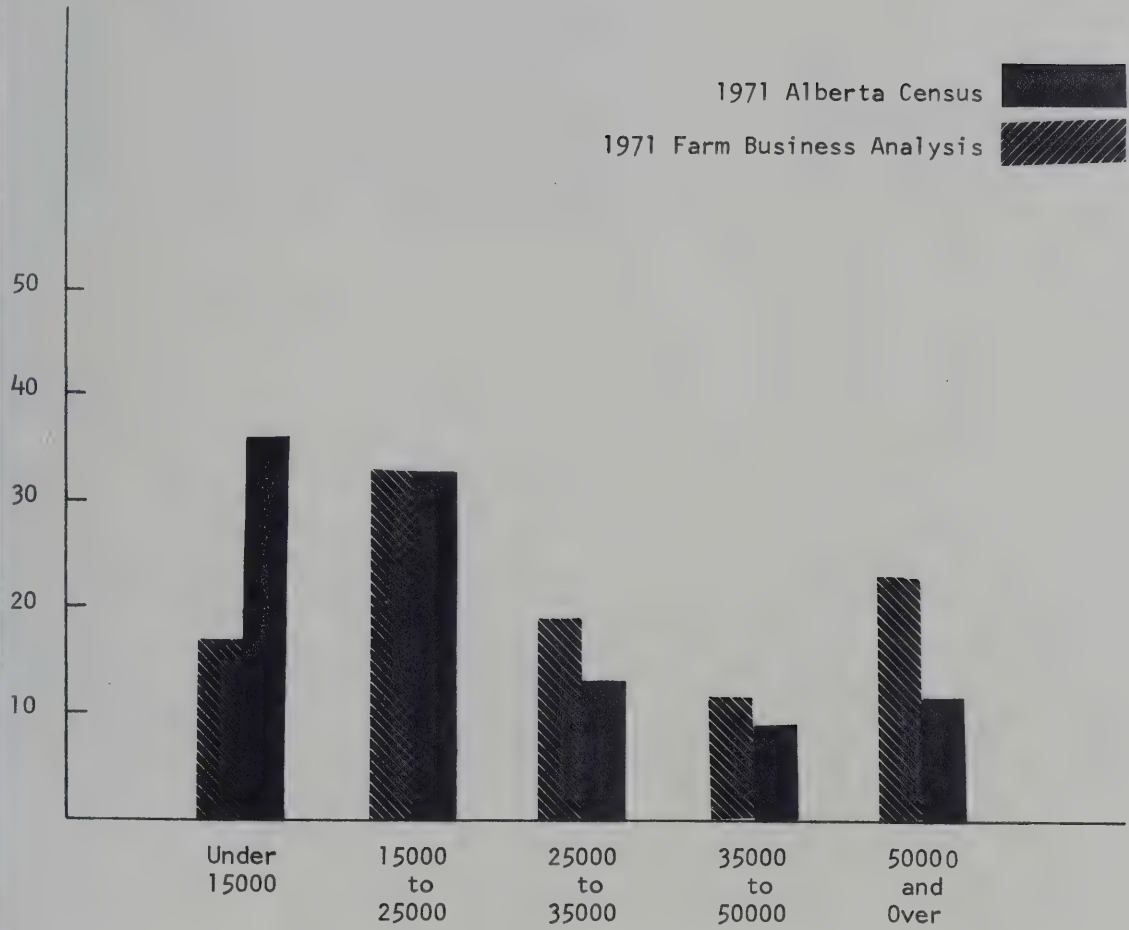
1971 PER ACRE INCOME & EXPENSE STATEMENT

<u>Receipts</u>	<u>Colony</u> <u>Avg./Acre</u>	<u>F.B.A.</u> <u>Avg./Acre</u>
Grain sales and Wheat Board Payments	\$ 8.36	\$ 4.62
Livestock sales	14.89	14.94
Livestock product sales	4.95	11.92
Interest and Dividend	1.09	0.00
Other Farm receipts	<u>1.58</u>	<u>0.73</u>
Total Receipts	\$ 30.87	\$ 32.21
<u>Expenses</u>		
Equipment expenses	\$ 2.97	\$ 2.67
Building repairs	0.52	0.56
Crop Expenses	1.73	1.72
Livestock expenses	8.06	11.64
Overhead expenses	1.67	1.65
Labor	0.00	2.14
Tools & Hardware	0.35	0.02
Cash rent	0.38	0.52
Misc. Expenses	1.12	0.25
Depreciation (Capital Cost Allowance)	<u>4.72</u>	<u>3.62</u>
Total Expenses	\$ 21.52	\$ 24.79
Profit (Receipts - Expenses)	\$ <u>9.35</u>	\$ <u>7.42</u>



Figure 1

TOTAL FARM RECEIPTS







\$9.35 per acre for the Hutterite farms and \$7.42 per acre for the average FBA farms.

ASSETS AND CAPITAL EQUITY OF THE HUTTERITE FARMS

The only evaluation on the capital position of the Hutterite colonies possible from the data received was an evaluation of eight colonies located in Southern Alberta. Five of the eight colonies were founded prior to 1944, two were founded in 1953 and one was founded in 1970. This statement of assets and capital equity is presented in Table 3.





TABLE 3

STATEMENT OF 1971 ASSETS AND CAPITAL EQUITY ON A CASH BASIS

ASSETS

Current Assets

Average of Eight  
Colonies

Cash	\$ 61,238
Investments	133,516

Loans Receivable	<u>64,671</u>
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TOTAL CURRENT ASSETS	\$ <u>259,425</u>
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Fixed

Land	
Improvement & Equipment	\$ <u>849,537</u>

TOTAL ASSETS	\$ <u>1,108,962</u>
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LIABILITIES

Current

Bank Indebtedness	\$ 159,528
Loans Payable	<u>26,775</u>

TOTAL	\$ <u>186,303</u>
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Mortgage Payable	55,452
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CAPITAL	\$ <u>867,207</u>
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TOTAL LIABILITIES	\$ <u>1,108,962</u>
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### Conclusion

1. The Hutterite farmers in Alberta do contribute a sizable amount of capital to: other farmers, Agriculture businesses and to their local government.
2. If the Hutterites are not making their farm purchases locally it is more likely a reflection on the management of the local business that it is of the colonies independent and non supportive attitude.
3. The Hutterites are not exceptional farmers, but are definitely "good farmers".
4. The Hutterite colonies, in view of the fact that they receive roughly the same income as other farmers, incur about the same expenditures, are only able to expand because of their simple living and not because of any exceptional farming.
5. The Hutterites if given a free hand would likely concentrate on the very best farming land in Alberta. It is only on highly productive land that they will have the opportunity to diversify to the degree they will want to. Some of the colonies have moved into poorer land and find it is more difficult to diversify.





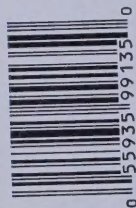






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